

AMENDMENTS TO LB467

Introduced by Kolterman, 24.

1 1. Strike the original sections and all amendments thereto and
2 insert the following new sections:

3 Section 1. Section 81-2014, Reissue Revised Statutes of Nebraska, is
4 amended to read:

5 81-2014 For purposes of the Nebraska State Patrol Retirement Act:

6 (1) Actuarial equivalent means the equality in value of the
7 aggregate amounts expected to be received under different forms of
8 payment or to be received at an earlier retirement age than the normal
9 retirement age. The determinations shall be based on the 1994 Group
10 Annuity Mortality Table reflecting sex-distinct factors blended using
11 seventy-five percent of the male table and twenty-five percent of the
12 female table. An interest rate of eight percent per annum shall be
13 reflected in making the determinations until such percent is amended by
14 the Legislature;

15 (2) Board means the Public Employees Retirement Board;

16 (3)(a) Compensation means gross wages or salaries payable to the
17 member for personal services performed during the plan year. Compensation
18 does not include insurance premiums converted into cash payments,
19 reimbursement for expenses incurred, fringe benefits, per diems, or
20 bonuses for services not actually rendered, including, but not limited
21 to, early retirement inducements, cash awards, and severance pay, except
22 for retroactive salary payments paid pursuant to court order,
23 arbitration, or litigation and grievance settlements. ~~For any officer~~
24 ~~employed after January 4, 1979, compensation does not include~~
25 ~~compensation for unused sick leave or unused vacation leave converted to~~
26 ~~cash payments.~~ Compensation includes overtime pay, member retirement
27 contributions, and amounts contributed by the member to plans under

1 sections 125 and 457 of the Internal Revenue Code as defined in section
2 49-801.01 or any other section of the code which defers or excludes such
3 amounts from income.

4 (i) For any officer employed on or before January 4, 1979,
5 compensation includes compensation for unused sick leave or unused
6 vacation leave converted to cash payments.

7 (ii) For any officer employed after January 4, 1979, and prior to
8 July 1, 2016, compensation does not include compensation for unused sick
9 leave or unused vacation leave converted to cash payments and includes
10 compensation for unused holiday compensatory time and unused compensatory
11 time converted to cash payments.

12 (iii) For any officer employed on or after July 1, 2016,
13 compensation does not include compensation for unused sick leave, unused
14 vacation leave, unused holiday compensatory time, unused compensatory
15 time, or any other type of unused leave, compensatory time, or similar
16 benefits, converted to cash payments;

17 (b) Compensation in excess of the limitations set forth in section
18 401(a)(17) of the Internal Revenue Code as defined in section 49-801.01
19 shall be disregarded. For an employee who was a member of the retirement
20 system before the first plan year beginning after December 31, 1995, the
21 limitation on compensation shall not be less than the amount which was
22 allowed to be taken into account under the retirement system as in effect
23 on July 1, 1993;

24 (4) Creditable service means service granted pursuant to section
25 81-2034 and all service rendered while a contributing member of the
26 retirement system. Creditable service includes working days, sick days,
27 vacation days, holidays, and any other leave days for which the officer
28 is paid regular wages except as specifically provided in the Nebraska
29 State Patrol Retirement Act. Creditable service does not include
30 eligibility and vesting credit nor service years for which member
31 contributions are withdrawn and not repaid;

1 (5) Current benefit means the initial benefit increased by all
2 adjustments made pursuant to the Nebraska State Patrol Retirement Act;

3 (6) DROP means the deferred retirement option plan as provided in
4 section 81-2041;

5 (7) DROP account means an individual DROP participant's defined
6 contribution account under section 414(k) of the Internal Revenue Code;

7 (8) DROP period means the amount of time the member elects to
8 participate in DROP which shall be for a period not to exceed five years
9 from and after the date of the member's DROP election;

10 (9) Eligibility and vesting credit means credit for years, or a
11 fraction of a year, of participation in a Nebraska government plan for
12 purposes of determining eligibility for benefits under the Nebraska State
13 Patrol Retirement Act. Such credit shall be used toward the vesting
14 percentage pursuant to subsection (2) of section 81-2031 but shall not be
15 included as years of service in the benefit calculation;

16 (10) Initial benefit means the retirement benefit calculated at the
17 time of retirement;

18 (11) Officer means an officer provided for in sections 81-2001 to
19 81-2009;

20 (12) Plan year means the twelve-month period beginning on July 1 and
21 ending on June 30 of the following year;

22 (13) Regular interest means interest fixed at a rate equal to the
23 daily treasury yield curve for one-year treasury securities, as published
24 by the Secretary of the Treasury of the United States, that applies on
25 July 1 of each year, which may be credited monthly, quarterly,
26 semiannually, or annually as the board may direct;

27 (14) Retirement application means the form approved and provided by
28 the retirement system for acceptance of a member's request for either
29 regular or disability retirement;

30 (15) Retirement date means (a) the first day of the month following
31 the date upon which a member's request for retirement is received on a

1 retirement application if the member is eligible for retirement and has
2 terminated employment or (b) the first day of the month following
3 termination of employment if the member is eligible for retirement and
4 has filed an application but has not yet terminated employment;

5 (16) Retirement system or system means the Nebraska State Patrol
6 Retirement System as provided in the act;

7 (17) Service means employment as a member of the Nebraska State
8 Patrol and shall not be deemed to be interrupted by (a) temporary or
9 seasonal suspension of service that does not terminate the employee's
10 employment, (b) leave of absence authorized by the employer for a period
11 not exceeding twelve months, (c) leave of absence because of disability,
12 or (d) military service, when properly authorized by the board. Service
13 does not include any period of disability for which disability retirement
14 benefits are received under subsection (1) of section 81-2025;

15 (18) Surviving spouse means (a) the spouse married to the member on
16 the date of the member's death if married for at least one year prior to
17 death or if married on the date of the member's retirement or (b) the
18 spouse or former spouse of the member if survivorship rights are provided
19 under a qualified domestic relations order filed with the board pursuant
20 to the Spousal Pension Rights Act. The spouse or former spouse shall
21 supersede the spouse married to the member on the date of the member's
22 death as provided under a qualified domestic relations order. If the
23 benefits payable to the spouse or former spouse under a qualified
24 domestic relations order are less than the value of benefits entitled to
25 the surviving spouse, the spouse married to the member on the date of the
26 member's death shall be the surviving spouse for the balance of the
27 benefits; and

28 (19) Termination of employment occurs on the date on which the
29 Nebraska State Patrol determines that the officer's employer-employee
30 relationship with the patrol is dissolved. The Nebraska State Patrol
31 shall notify the board of the date on which such a termination has

1 occurred. Termination of employment does not include ceasing employment
2 with the Nebraska State Patrol if the officer returns to regular
3 employment with the Nebraska State Patrol or another agency of the State
4 of Nebraska and there are less than one hundred twenty days between the
5 date when the employee's employer-employee relationship ceased and the
6 date when the employer-employee relationship commenced with the Nebraska
7 State Patrol or another state agency. Termination of employment does not
8 occur upon an officer's participation in DROP pursuant to section
9 81-2041. It is the responsibility of the employer that is involved in the
10 termination of employment to notify the board of such change in
11 employment and provide the board with such information as the board deems
12 necessary. If the board determines that termination of employment has not
13 occurred and a retirement benefit has been paid to a member of the
14 retirement system pursuant to section 81-2026, the board shall require
15 the member who has received such benefit to repay the benefit to the
16 retirement system.

17 Sec. 2. Section 81-2014.01, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 81-2014.01 Sections 81-2014 to 81-2041 and sections 6 and 7 of this
20 act shall be known and may be cited as the Nebraska State Patrol
21 Retirement Act.

22 Sec. 3. Section 81-2017, Reissue Revised Statutes of Nebraska, is
23 amended to read:

24 81-2017 (1) Commencing July 1, 2010, and until July 1, 2011, each
25 officer while in the service of the Nebraska State Patrol shall pay or
26 have paid on his or her behalf a sum equal to sixteen percent of his or
27 her monthly compensation. Commencing July 1, 2011, and until July 1,
28 2013, each officer while in the service of the Nebraska State Patrol
29 shall pay or have paid on his or her behalf a sum equal to nineteen
30 percent of his or her monthly compensation. Commencing July 1, 2013, each
31 officer who commences service prior to July 1, 2016, while in the service

1 of the Nebraska State Patrol shall pay or have paid on his or her behalf
2 a sum equal to sixteen percent of his or her monthly compensation. Each
3 officer who commences service on or after July 1, 2016, while in the
4 service of the Nebraska State Patrol, shall pay or have paid on his or
5 her behalf a sum equal to seventeen percent of his or her monthly
6 compensation. Such amounts shall be deducted monthly by the Director of
7 Administrative Services who shall draw a warrant monthly in the amount of
8 the total deductions from the compensation of members of the Nebraska
9 State Patrol in accordance with subsection (4) of this section, and the
10 State Treasurer shall credit the amount of such warrant to the State
11 Patrol Retirement Fund. The director shall cause a detailed report of all
12 monthly deductions to be made each month to the board.

13 (2) In addition, commencing July 1, 2010, and until July 1, 2011,
14 there shall be assessed against the appropriation of the Nebraska State
15 Patrol a sum equal to the amount of sixteen percent of each officer's
16 monthly compensation which shall be credited to the State Patrol
17 Retirement Fund. Commencing July 1, 2011, and until July 1, 2013, there
18 shall be assessed against the appropriation of the Nebraska State Patrol
19 a sum equal to the amount of nineteen percent of each officer's monthly
20 compensation which shall be credited to the State Patrol Retirement Fund.
21 Commencing July 1, 2013, and until July 1, 2016, there shall be assessed
22 against the appropriation of the Nebraska State Patrol a sum equal to the
23 amount of sixteen percent of each officer's monthly compensation which
24 shall be credited to the State Patrol Retirement Fund. Commencing July 1,
25 2016, for each officer who commences service on or after July 1, 2016,
26 there shall be assessed against the appropriation of the Nebraska State
27 Patrol a sum equal to the amount of seventeen percent of each officer's
28 monthly compensation which shall be credited to the State Patrol
29 Retirement Fund. This assessment constitutes an employer match and shall
30 be contingent upon the officer making his or her contributions to the
31 retirement system.

1 (3) For the fiscal year beginning on July 1, 2002, and each fiscal
2 year thereafter, the actuary for the board shall perform an actuarial
3 valuation of the system using the entry age actuarial cost method. Under
4 this method, the actuarially required funding rate is equal to the normal
5 cost rate, plus the contribution rate necessary to amortize the unfunded
6 actuarial accrued liability on a level percentage of salary basis. The
7 normal cost under this method shall be determined for each individual
8 member on a level percentage of salary basis. The normal cost amount is
9 then summed for all members. Beginning July 1, 2006, any existing
10 unfunded liabilities shall be reinitialized and amortized over a thirty-
11 year period, and during each subsequent actuarial valuation, changes in
12 the funded actuarial accrued liability due to changes in benefits,
13 actuarial assumptions, the asset valuation method, or actuarial gains or
14 losses shall be measured and amortized over a thirty-year period
15 beginning on the valuation date of such change. If the unfunded actuarial
16 accrued liability under the entry age actuarial cost method is zero or
17 less than zero on an actuarial valuation date, then all prior unfunded
18 actuarial accrued liabilities shall be considered fully funded and the
19 unfunded actuarial accrued liability shall be reinitialized and amortized
20 over a thirty-year period as of the actuarial valuation date. If the
21 actuarially required contribution rate exceeds the rate of all
22 contributions required pursuant to the Nebraska State Patrol Retirement
23 Act, there shall be a supplemental appropriation sufficient to pay for
24 the differences between the actuarially required contribution rate and
25 the rate of all contributions required pursuant to the Nebraska State
26 Patrol Retirement Act. Such valuation shall be on the basis of actuarial
27 assumptions recommended by the actuary, approved by the board, and kept
28 on file with the board.

29 (4) The state shall pick up the member contributions required by
30 this section for all compensation paid on or after January 1, 1985, and
31 the contributions so picked up shall be treated as employer contributions

1 pursuant to section 414(h)(2) of the Internal Revenue Code in determining
2 federal tax treatment under the code and shall not be included as gross
3 income of the member until such time as they are distributed or made
4 available. The contributions, although designated as member
5 contributions, shall be paid by the state in lieu of member
6 contributions. The state shall pay these member contributions from the
7 same source of funds which is used in paying earnings to the member. The
8 state shall pick up these contributions by a compensation deduction
9 through a reduction in the cash compensation of the member. Member
10 contributions picked up shall be treated for all purposes of the Nebraska
11 State Patrol Retirement Act in the same manner and to the extent as
12 member contributions made prior to the date picked up.

13 Sec. 4. Section 81-2026, Reissue Revised Statutes of Nebraska, is
14 amended to read:

15 81-2026 (1)(a) Any officer qualified for an annuity as provided in
16 section 81-2025 for reasons other than disability shall be entitled to
17 receive a monthly annuity for the remainder of the officer's life. The
18 annuity payments shall continue until the end of the calendar month in
19 which the officer dies. The amount of the annuity shall be a percentage
20 of the officer's final average monthly compensation. For retirement on or
21 after the fifty-fifth birthday of the member or on or after the fiftieth
22 birthday of a member who has been in the employ of the state for twenty-
23 five years, as calculated in section 81-2033, the percentage shall be
24 three percent multiplied by the number of years of creditable service, as
25 calculated in section 81-2033, except that the percentage shall never be
26 greater than seventy-five percent.

27 (b) For retirement pursuant to subsection (2) of section 81-2025 on
28 or after the fiftieth birthday of the member but prior to the fifty-fifth
29 birthday of the member who has been in the employ of the state for less
30 than twenty-five years, as calculated in section 81-2033, the annuity
31 which would apply if the member were age fifty-five at the date of

1 retirement shall be reduced by five-ninths of one percent for each month
2 by which the early retirement date precedes age fifty-five or for each
3 month by which the early retirement date precedes the date upon which the
4 member has served for twenty-five years, whichever is earlier. Any
5 officer who has completed thirty years of creditable service with the
6 Nebraska State Patrol shall have retirement benefits computed as if the
7 officer had reached age fifty-five.

8 (c) For purposes of this computation: ~~τ~~

9 (i) For an officer who became a member before July 1, 2016, final
10 average monthly compensation means shall mean the sum of the officer's
11 total compensation during the three twelve-month periods of service as an
12 officer in which compensation was the greatest divided by thirty-six:

13 (A) For ~~τ~~ and for any officer employed on or before January 4, 1979,
14 the officer's total compensation shall include payments received for
15 unused vacation and sick leave accumulated during the final three years
16 of service; and ~~τ~~

17 (B) For any officer employed after January 4, 1979, and prior to
18 July 1, 2016, the officer's total compensation shall include payments
19 received for unused holiday compensatory time and unused compensatory
20 time; and

21 (ii) For an officer who becomes a member on or after July 1, 2016,
22 final average monthly compensation shall mean the sum of the officer's
23 total compensation during the five twelve-month periods of service as an
24 officer in which compensation was the greatest divided by sixty, and
25 shall not include payments received for unused sick leave, unused
26 vacation leave, unused holiday compensatory time, unused compensatory
27 time, or any other type of unused leave, compensatory time, or similar
28 benefits, converted to cash payments. The five twelve-month periods used
29 for calculating an officer's final average monthly compensation will end
30 on the month during which the officer's final compensation is paid. In
31 the determination of compensation, that part of an officer's compensation

1 for the plan year which exceeds the officer's compensation for the
2 preceding plan year by more than eight percent during the capping period
3 shall be excluded. Such officer's compensation for the first plan year of
4 the capping period shall be compared to the officer's compensation
5 received for the plan year immediately preceding the capping period. For
6 purposes of this subdivision, capping period means the five plan years
7 preceding the officer's retirement date. The board shall adopt and
8 promulgate rules and regulations for the implementation of this section,
9 including rules and regulations related to prorating, annualizing, or
10 recalculating an officer's final average monthly compensation for each
11 plan year in the capping period.

12 (2) Any officer qualified for an annuity as provided in section
13 81-2025 for reasons of disability shall be entitled to receive a monthly
14 annuity for the remainder of the period of disablement as provided in
15 sections 81-2028 to 81-2030. The amount of the annuity shall be fifty
16 percent of the officer's monthly compensation at the date of disablement
17 if the officer has completed seventeen or fewer years of creditable
18 service. If the officer has completed more than seventeen years of
19 creditable service, the amount of the annuity shall be three percent of
20 the final monthly compensation at the date of disablement multiplied by
21 the total years of creditable service but not to exceed seventy-five
22 percent of the final average monthly compensation as defined in
23 subsection (1) of this section. The date of disablement shall be the date
24 on which the benefits as provided in section 81-2028 have been exhausted.

25 (3) Upon the death of an officer after retirement for reasons other
26 than disability, benefits shall be provided as a percentage of the amount
27 of the officer's annuity, calculated as follows:

28 (a) If there is a surviving spouse but no dependent child or
29 children of the officer under nineteen years of age, the surviving spouse
30 shall receive a benefit equal to seventy-five percent of the amount of
31 the officer's annuity for the remainder of the surviving spouse's life;

1 (b) If there is a surviving spouse and the surviving spouse has in
2 his or her care a dependent child or children of the officer under
3 nineteen years of age and there is no other dependent child or children
4 of the officer not in the care of the surviving spouse under nineteen
5 years of age, the benefit shall be equal to one hundred percent of the
6 officer's annuity. When there is no remaining dependent child of the
7 officer under nineteen years of age, the benefit shall be seventy-five
8 percent of the amount of the officer's annuity to the surviving spouse
9 for the remainder of the surviving spouse's life;

10 (c) If there is a surviving spouse and the surviving spouse has in
11 his or her care a dependent child or children of the officer under
12 nineteen years of age or there is another dependent child or children of
13 the officer under nineteen years of age not in the care of the surviving
14 spouse, the benefit shall be twenty-five percent of the amount of the
15 officer's annuity to the surviving spouse and seventy-five percent of the
16 amount of the officer's annuity to the dependent children of the officer
17 under nineteen years of age to be divided equally among such dependent
18 children but in no case shall the benefit received by a surviving spouse
19 and dependent children residing with such spouse be less than fifty
20 percent of the amount of the officer's annuity. At such time as any
21 dependent child of the officer attains nineteen years of age, the benefit
22 shall be divided equally among the remaining dependent children of the
23 officer who have not yet attained nineteen years of age. When there is no
24 remaining dependent child of the officer under nineteen years of age, the
25 benefit shall be seventy-five percent of the amount of the officer's
26 annuity to the surviving spouse for the remainder of the surviving
27 spouse's life;

28 (d) If there is no surviving spouse and a dependent child or
29 children of the officer under nineteen years of age, the benefit shall be
30 equal to seventy-five percent of the officer's annuity to the dependent
31 children of the officer under nineteen years of age to be divided equally

1 among such dependent children. At such time as any dependent child of the
2 officer attains nineteen years of age, the benefit shall be divided
3 equally among the remaining dependent children of the officer who have
4 not yet attained nineteen years of age; and

5 (e) If there is no surviving spouse or no dependent child or
6 children of the officer under nineteen years of age, the amount of
7 benefit such officer has received under the Nebraska State Patrol
8 Retirement Act shall be computed. If such amount is less than the
9 contributions to the State Patrol Retirement Fund made by such officer,
10 plus regular interest, the difference shall be paid to the officer's
11 designated beneficiary or estate.

12 (4) Upon the death of an officer after retirement for reasons of
13 disability, benefits shall be provided as if the officer had retired for
14 reasons other than disability.

15 (5) Upon the death of an officer before retirement, benefits shall
16 be provided as if the officer had retired for reasons of disability on
17 the date of such officer's death, calculated as follows:

18 (a) If there is a surviving spouse but no dependent child or
19 children of the officer under nineteen years of age, the surviving spouse
20 shall receive a benefit equal to seventy-five percent of the amount of
21 the officer's annuity for the remainder of the surviving spouse's life;

22 (b) If there is a surviving spouse and the surviving spouse has in
23 his or her care a dependent child or children of the officer under
24 nineteen years of age and there is no other dependent child or children
25 of the officer not in the care of the surviving spouse under nineteen
26 years of age, the benefit shall be equal to one hundred percent of the
27 officer's annuity. When there is no remaining dependent child of the
28 officer under nineteen years of age, the benefit shall be seventy-five
29 percent of the amount of the officer's annuity to the surviving spouse
30 for the remainder of the surviving spouse's life;

31 (c) If there is a surviving spouse and the surviving spouse has in

1 his or her care a dependent child or children of the officer under
2 nineteen years of age or there is another dependent child or children of
3 the officer under nineteen years of age not in the care of the surviving
4 spouse, the benefit shall be twenty-five percent of the amount of the
5 officer's annuity to the surviving spouse and seventy-five percent of the
6 amount of the officer's annuity to the dependent children of the officer
7 under nineteen years of age to be divided equally among such dependent
8 children but in no case shall the benefit received by a surviving spouse
9 and dependent children residing with such spouse be less than fifty
10 percent of the amount of the officer's annuity. At such time as any
11 dependent child of the officer attains nineteen years of age, the benefit
12 shall be divided equally among the remaining dependent children of the
13 officer who have not yet attained nineteen years of age. When there is no
14 remaining dependent child of the officer under nineteen years of age, the
15 benefit shall be seventy-five percent of the amount of the officer's
16 annuity to the surviving spouse for the remainder of the surviving
17 spouse's life;

18 (d) If there is no surviving spouse and a dependent child or
19 children of the officer under nineteen years of age, the benefit shall be
20 equal to seventy-five percent of the officer's annuity to the dependent
21 children of the officer under nineteen years of age to be divided equally
22 among such dependent children. At such time as any dependent child of the
23 officer attains nineteen years of age, the benefit shall be divided
24 equally among the remaining dependent children of the officer who have
25 not yet attained nineteen years of age; and

26 (e) If no benefits are paid to a surviving spouse or dependent child
27 or children of the officer, benefits will be paid as described in
28 subsection (1) of section 81-2031.

29 (6) A lump-sum death benefit paid to the member's beneficiary, other
30 than the member's estate, that is an eligible distribution may be
31 distributed in the form of a direct transfer to a retirement plan

1 eligible to receive such transfer under the provisions of the Internal
2 Revenue Code.

3 (7) For any member whose death occurs on or after January 1, 2007,
4 while performing qualified military service as defined in section 414(u)
5 of the Internal Revenue Code, the member's beneficiary shall be entitled
6 to any additional death benefit that would have been provided, other than
7 the accrual of any benefit relating to the period of qualified military
8 service. The additional death benefit shall be determined as if the
9 member had returned to employment with the Nebraska State Patrol and such
10 employment had terminated on the date of the member's death.

11 (8) Any changes made to this section by Laws 2004, LB 1097, shall
12 apply only to retirements, disabilities, and deaths occurring on or after
13 July 16, 2004.

14 Sec. 5. Section 81-2027.08, Reissue Revised Statutes of Nebraska, is
15 amended to read:

16 81-2027.08 (1) Beginning July 1, 2011, and each July 1 thereafter,
17 the board shall determine the number of retired members or beneficiaries
18 described in subdivision (4)(b) of this section in the retirement system
19 and an annual benefit adjustment shall be made by the board for each
20 retired member or beneficiary under one of the cost-of-living adjustment
21 calculation methods found in subsection (2), (3), or (4) of this section.
22 Each retired member or beneficiary, if eligible, shall receive an annual
23 benefit adjustment under the cost-of-living adjustment calculation method
24 that provides the retired member or beneficiary the greatest annual
25 benefit adjustment increase. No retired member or beneficiary shall
26 receive an annual benefit adjustment under more than one of the cost-of-
27 living adjustment calculation methods provided in this section.

28 (2) The current benefit paid to a retired member or beneficiary
29 under this subsection shall be adjusted so that the purchasing power of
30 the benefit being paid is not less than sixty percent of the purchasing
31 power of the initial benefit. The purchasing power of the initial benefit

1 in any year following the year in which the initial benefit commenced
2 shall be calculated by dividing the United States Department of Labor,
3 Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners
4 and Clerical Workers factor on June 30 of the current year by the
5 Consumer Price Index for Urban Wage Earners and Clerical Workers factor
6 on June 30 of the year in which the benefit commenced. The result shall
7 be multiplied by the product that results when the amount of the initial
8 benefit is multiplied by sixty percent. In any year in which applying the
9 adjustment provided in subsection (3) of this section results in a
10 benefit which would be less than sixty percent of the purchasing power of
11 the initial benefit as calculated in this subsection, the adjustment
12 shall instead be equal to the percentage change in the Consumer Price
13 Index for Urban Wage Earners and Clerical Workers factor from the prior
14 year to the current year.

15 (3) The current benefit paid to a retired member or beneficiary
16 under this subsection shall be increased annually by the lesser of (a)
17 the percentage change in the Consumer Price Index for Urban Wage Earners
18 and Clerical Workers for the period between June 30 of the prior year to
19 June 30 of the present year or (b) two and one-half percent.

20 (4)(a) The current benefit paid to a retired member or beneficiary
21 under this subsection shall be calculated by multiplying the retired
22 member's or beneficiary's total monthly benefit by the lesser of (i) the
23 cumulative change in the Consumer Price Index for Urban Wage Earners and
24 Clerical Workers from the last adjustment of the total monthly benefit of
25 each retired member or beneficiary through June 30 of the year for which
26 the annual benefit adjustment is being calculated or (ii) an amount equal
27 to three percent per annum compounded for the period from the last
28 adjustment of the total monthly benefit of each retired member or
29 beneficiary through June 30 of the year for which the annual benefit
30 adjustment is being calculated.

31 (b) In order for a retired member or beneficiary to receive the

1 cost-of-living adjustment calculation method in this subsection, the
2 retired member or beneficiary shall be (i) a retired member or
3 beneficiary who has been receiving a retirement benefit for at least five
4 years if the member had at least twenty-five years of creditable service,
5 (ii) a member who has been receiving a disability retirement benefit for
6 at least five years pursuant to section 81-2025, or (iii) a beneficiary
7 who has been receiving a death benefit pursuant to section 81-2026 for at
8 least five years, if the member's or beneficiary's monthly accrual rate
9 is less than or equal to the minimum accrual rate as determined by this
10 subsection.

11 (c) The monthly accrual rate under this subsection is the retired
12 member's or beneficiary's total monthly benefit divided by the number of
13 years of creditable service earned by the retired or deceased member.

14 (d) The total monthly benefit under this subsection is the total
15 benefit received by a retired member or beneficiary pursuant to the
16 Nebraska State Patrol Retirement Act and previous adjustments made
17 pursuant to this section or any other provision of the act that grants a
18 benefit or cost-of-living increase, but the total monthly benefit shall
19 not include sums received by an eligible retired member or eligible
20 beneficiary from federal sources.

21 (e) Beginning July 1, 2010, the minimum accrual rate under this
22 subsection was forty dollars and sixteen cents. Beginning July 1, 2011,
23 the minimum accrual rate under this subsection was forty-one dollars and
24 seventy-nine cents. Beginning July 1, 2012, the minimum accrual rate
25 under this subsection was forty-two dollars and forty-five cents.
26 Beginning July 1, 2013, the board shall annually adjust the minimum
27 accrual rate to reflect the cumulative percentage change in the Consumer
28 Price Index for Urban Wage Earners and Clerical Workers from the last
29 adjustment of the minimum accrual rate.

30 (5) Beginning July 1, 2011, and each July 1 thereafter, each retired
31 member or beneficiary shall receive the sum of the annual benefit

1 adjustment and such retiree's total monthly benefit less withholding,
2 which sum shall be the retired member's or beneficiary's adjusted total
3 monthly benefit. Each retired member or beneficiary shall receive the
4 adjusted total monthly benefit until the expiration of the annuity option
5 selected by the member or until the retired member or beneficiary again
6 qualifies for the annual benefit adjustment, whichever occurs first.

7 (6) The annual benefit adjustment pursuant to this section shall not
8 cause a current benefit to be reduced, and a retired member or
9 beneficiary shall never receive less than the adjusted total monthly
10 benefit until the annuity option selected by the member expires.

11 (7) The board shall adjust the annual benefit adjustment provided in
12 this section so that the cost-of-living adjustment provided to the
13 retired member or beneficiary at the time of the annual benefit
14 adjustment does not exceed the change in the Consumer Price Index for
15 Urban Wage Earners and Clerical Workers for the period between June 30 of
16 the prior year to June 30 of the present year. If the consumer price
17 index used in this section is discontinued or replaced, a substitute
18 index published by the United States Department of Labor shall be
19 selected by the board which shall be a reasonable representative
20 measurement of the cost-of-living for retired employees.

21 (8) This section applies to an officer who became a member before
22 July 1, 2016 ~~The state shall contribute to the State Patrol Retirement~~
23 ~~Fund an annual level dollar payment certified by the board. For the~~
24 ~~2011-12 fiscal year through the 2012-13 fiscal year, the annual level~~
25 ~~dollar payment certified by the board shall equal 3.04888 percent of six~~
26 ~~million eight hundred ninety five thousand dollars.~~

27 Sec. 6. On July 1 of each year, for officers who became members on
28 or after July 1, 2016:

29 (1) The board shall determine the number of retired members or
30 beneficiaries in the retirement system who became members on or after
31 July 1, 2016, and an annual benefit adjustment shall be made by the board

1 for each retired member or beneficiary. The benefit paid to a retired
2 member or beneficiary under this section shall be increased annually by
3 the lesser of (a) the percentage change in the Consumer Price Index for
4 Urban Wage Earners and Clerical Workers for the period between June 30 of
5 the prior year to June 30 of the present year or (b) one percent. If the
6 consumer price index used in this section is discontinued or replaced, a
7 substitute index published by the United States Department of Labor shall
8 be selected by the board which shall be a reasonable representative
9 measurement of the cost-of-living for retired employees;

10 (2) Each retired member or beneficiary shall receive the sum of the
11 annual benefit adjustment and such retiree's total monthly benefit less
12 withholding, which sum shall be the retired member's or beneficiary's
13 adjusted total monthly benefit. Each retired member or beneficiary shall
14 receive the adjusted total monthly benefit until the expiration of the
15 annuity option selected by the member or until the retired member or
16 beneficiary again qualifies for the annual benefit adjustment, whichever
17 occurs first; and

18 (3) The annual benefit adjustment pursuant to this section shall not
19 cause a current benefit to be reduced, and a retired member or
20 beneficiary shall never receive less than the adjusted total monthly
21 benefit until the annuity option selected by the member expires.

22 Sec. 7. (1) Beginning July 1, 2016, for officers who become members
23 on and after July 1, 2016, if the annual valuation made by the actuary,
24 as approved by the board, indicates that the retirement system is fully
25 funded and has sufficient actuarial surplus to provide for a supplemental
26 lump-sum cost-of-living adjustment, the board may, in its discretion,
27 elect to pay a maximum one and one-half percent supplemental lump-sum
28 cost-of-living adjustment to each retired member or beneficiary based on
29 the retired member's or beneficiary's total monthly benefit through June
30 30 of the year for which the supplemental lump-sum cost-of-living
31 adjustment is being calculated. The supplemental lump sum cost-of-living

1 payment shall be paid within sixty days after the board's decision. In no
2 event shall the board declare a supplemental lump-sum cost-of-living
3 adjustment if such adjustment would cause the plan to be less than fully
4 funded.

5 (2) For purposes of this section, fully funded means the unfunded
6 actuarial accrued liability, based on the lesser of the actuarial value
7 and the market value, under the entry age actuarial cost method, is less
8 than zero on the most recent actuarial valuation date.

9 (3) Any decision or determination by the board to declare or not
10 declare a cost-of-living adjustment or as to whether the annual valuation
11 indicates a sufficient actuarial surplus to provide for a cost-of-living
12 adjustment shall be made in the sole, absolute, and final discretion of
13 the board and shall not be subject to challenge by any member or
14 beneficiary. In no event shall the Legislature be constrained or limited
15 in amending the system notwithstanding the effect of any such change upon
16 the actuarial surplus of the system and the ability of the board to
17 declare future cost-of-living adjustments.

18 Sec. 8. Section 81-2034, Reissue Revised Statutes of Nebraska, is
19 amended to read:

20 ~~81-2034 (1) Any member of the Nebraska State Patrol who, while a~~
21 ~~member of the Nebraska State Patrol, entered into and served or shall~~
22 ~~enter into and serve in the armed forces of the United States during a~~
23 ~~declared emergency, as defined and prescribed under such rules and~~
24 ~~regulations as the board may adopt, and who, within six months after~~
25 ~~honorable discharge or honorable separation from active duty, returned or~~
26 ~~returns to the service of the state and again becomes a member of the~~
27 ~~Nebraska State Patrol shall be credited, in determining benefits due such~~
28 ~~member from the State Patrol Retirement Fund, for all the time actually~~
29 ~~served in the armed forces as if such person had been in the service of~~
30 ~~the Nebraska State Patrol throughout such declared emergency service in~~
31 ~~the armed forces.~~

1 (1 2) Under such rules and regulations as the board adopts and
2 promulgates, any member of the Nebraska State Patrol who was hired before
3 July 1, 2016, and is reemployed on or after December 12, 1994, pursuant
4 to 38 U.S.C. 4301 et seq. ~~chapter 43,~~ or who is eligible for reemployment
5 under section 55-160 shall be treated as not having incurred a break in
6 service by reason of his or her period of military service. Such military
7 service shall be credited for purposes of determining the
8 nonforfeitability of the member's accrued benefits and the accrual of
9 benefits under the plan. The state shall be liable for funding any
10 obligation of the plan to provide benefits based upon such period of
11 military service.

12 (2)(a) Under such rules and regulations as the board adopts and
13 promulgates, any member of the Nebraska State Patrol who was hired on or
14 after July 1, 2016, and who is eligible for reemployment on or after
15 December 12, 1994, pursuant to 38 U.S.C. 4301 et seq. as adopted under
16 section 55-161, or who is eligible for reemployment under section 55-160,
17 may pay to the retirement system after the date of his or her return from
18 active military service, and within the period required by law, not to
19 exceed five years, an amount equal to the sum of all contributions which
20 would have been made from the salary which he or she would have received
21 during the period of military service for which creditable service is
22 desired. To the extent that payment is made by the member:

23 (i) The member shall be treated as not having incurred a break in
24 service by reason of his or her period of military service;

25 (ii) The member shall be entitled to creditable service in
26 determining his or her annuity for the period for which contributions
27 have been made;

28 (iii) The employer shall allocate the amount of employer
29 contributions in the same manner and to the same extent the allocation
30 occurs for other employees during the period of service; and

31 (iv) The employer shall be liable for funding any obligation of the

1 plan to provide the benefit which is attributable to the increase in the
2 member's creditable service.

3 (b) An officer may use military leave, vacation leave, holiday
4 compensatory time, compensatory time, or any other similar leave, other
5 than sick leave, during a period of military service. Such leave shall be
6 treated in the same manner and to the same extent as though the officer
7 was not absent due to military service. If the leave used by an officer
8 does not cover the entire period of military service, the officer must
9 make up contributions in the same manner as described in this section.
10 Under no circumstances will an officer be required or allowed to make up
11 contributions or receive service credit in an amount greater than what
12 the officer would have received had the officer not been absent due to
13 military service.

14 (c) The member's payments shall be paid as the board may direct,
15 through direct payments to the retirement system or on an installment
16 basis pursuant to a binding irrevocable payroll deduction authorization
17 between the member, the Nebraska State Patrol, and the board.

18 Sec. 9. Section 81-2041, Reissue Revised Statutes of Nebraska, is
19 amended to read:

20 81-2041 (1) Any officer who becomes a member prior to July 1, 2016,
21 and member who meets the participation requirements of subsection (2) of
22 this section may participate in DROP. DROP provides that subsequent to
23 attaining normal age and service retirement eligibility, a member may
24 voluntarily choose to participate in DROP upon its adoption which, for
25 purposes of this section, shall be the earlier of September 1, 2008, or
26 the first of the month following a favorable letter determination by the
27 Internal Revenue Service. If the member chooses to participate in DROP,
28 the member shall be deemed to have retired but shall not be deemed to be
29 terminated, and the member may continue in active employment for up to a
30 five-year period. During the DROP period, the member's retirement benefit
31 payments shall be deposited into the DROP account for the benefit of the

1 member until the member actually retires from active employment at or
2 before the expiration of the DROP period. Thereafter, future retirement
3 benefit payments shall be made directly to the member, and the member
4 shall have access to all funds in the DROP account designated for the
5 benefit of the member. DROP funds shall be held and invested in a defined
6 contribution account under section 414(k) of the Internal Revenue Code
7 and shall meet the limitations in section 415 of the code.

8 (2) To participate in the DROP program, a member shall meet the
9 following requirements:

10 (a) A member shall be eligible to enter DROP at any time subsequent
11 to the date when the member has (i) attained normal retirement age and
12 (ii) completed twenty-five years of service. Members having attained
13 normal retirement age and completed twenty-five years of service on or
14 before the date of adoption of DROP shall be eligible to enter DROP at
15 any future date;

16 (b) A member who elects to enter DROP shall be entitled to receive
17 regular age and service retirement benefits in accordance with section
18 81-2026. A member is entitled to remain in DROP for a maximum of five
19 years subsequent to the date of the member's DROP election. A member may
20 separate from service and thereby exit DROP at any time during the DROP
21 period. On or before the completion of the DROP period, the member must
22 separate from active employment and exit DROP. During the DROP period, a
23 member's retirement benefit shall be payable to the DROP account vendor
24 designated in the member's name. Amounts transferred or paid to a
25 participating member's DROP account shall not constitute annual additions
26 under section 415 of the Internal Revenue Code;

27 (c) A member electing to enter DROP shall choose an annuity payment
28 option. After the option is chosen, the member shall not be entitled to
29 any retirement benefit changes, for reasons including, but not limited
30 to, wage increases, promotions, and demotions, except that the
31 restriction on retirement benefit changes shall not apply in the event of

1 duty-related death or duty-related disability. The benefit amount shall
2 be fixed as of the date of election and shall be payable as if the
3 employee retired on that date and separated from active employment. Upon
4 the death of a member during the DROP period, monthly benefits shall be
5 provided as a percentage of the amount of the member's annuity as set
6 forth in subsection (3) of section 81-2026 based upon the annuity benefit
7 calculation made at commencement of the DROP period. In addition, the
8 balance of the DROP account, if any, shall be provided to the beneficiary
9 or beneficiaries of the member in accordance with subsection (6) of
10 section 81-2026 or, if no beneficiary is provided, to the estate of the
11 member. Upon the disability of a member during the DROP period, the
12 member shall be deemed to have completed the DROP period, shall begin
13 receiving the annuity benefit as calculated at the commencement of the
14 DROP period, and shall be paid the balance of the DROP account, if any;

15 (d) No member shall be allowed to continue making the required
16 contributions while the member is enrolled in DROP;

17 (e) During the DROP period, the Nebraska State Patrol shall not be
18 assessed the amount required under subsection (2) of section 81-2017 nor
19 shall such amount be credited to the State Patrol Retirement Fund;

20 (f) The member shall be paid the balance of the DROP account upon
21 the member's separation from active employment or at the expiration of
22 the DROP period thereby ending the member's participation in DROP. If a
23 member has not voluntarily separated from active employment on or before
24 the completion of the DROP period, the member's retirement benefit shall
25 be paid directly to the member thereby ending the member's active
26 employment. The member's DROP account shall consist of accrued retirement
27 benefits and interest on such benefits;

28 (g) Any member that is enrolled in DROP shall be responsible for
29 directing the DROP account designated for the benefit of the member by
30 investing the account in any DROP investment options. There shall be no
31 guaranteed rate of investment return on DROP account assets. Any losses,

1 charges, or expenses incurred by the participating DROP member in such
2 member's DROP account by virtue of the investment options selected by the
3 participating DROP member shall not be made up by the retirement system
4 but all of the same shall be borne by the participating DROP member. The
5 retirement system, the state, the board, and the state investment officer
6 shall not be responsible for any investment results under the DROP
7 agreement. Transfers between investment options shall be in accordance
8 with the rules and regulations of DROP. A DROP account shall be
9 established for each participating DROP member. Such DROP account shall
10 be adjusted no less frequently than annually for the member's retirement
11 benefit distributions and net investment earnings and losses;

12 (h) If the DROP account is subject to administrative or other fees
13 or charges, such fees or charges shall be charged to the participating
14 DROP member's DROP account; ~~and~~

15 (i) Cost-of-living adjustments as provided for in section 81-2027.08
16 or sections 6 and 7 of this act shall not be applied to retirement
17 benefits during the DROP period; and -

18 (j) Any officer who becomes a member on or after July 1, 2016, is
19 specifically prohibited from participating in DROP.

20 Sec. 10. If any section in this act or any part of any section is
21 declared invalid or unconstitutional, the declaration shall not affect
22 the validity or constitutionality of the remaining portions.

23 Sec. 11. Original sections 81-2014, 81-2014.01, 81-2017, 81-2026,
24 81-2027.08, 81-2034, and 81-2041, Reissue Revised Statutes of Nebraska,
25 are repealed.

26 Sec. 12. Since an emergency exists, this act takes effect when
27 passed and approved according to law.